

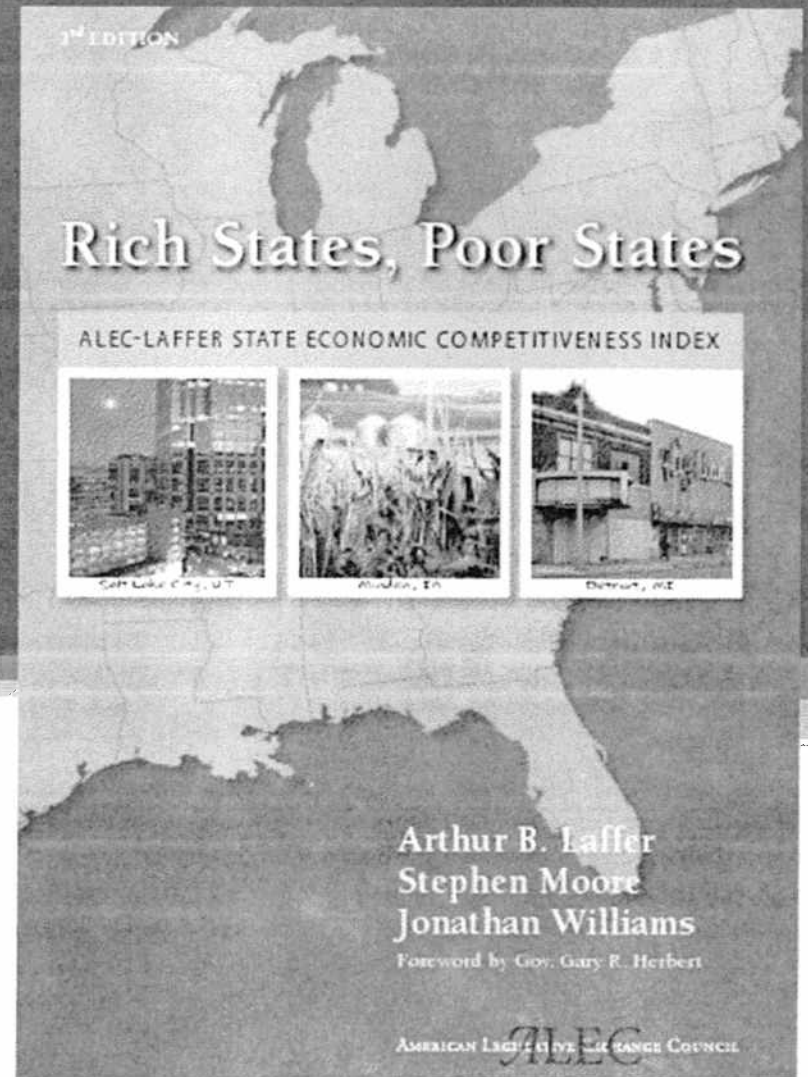
# Rich States, Poor States

Creating Real Economic Stimulus

**Jonathan Williams**

Director of Tax and Fiscal Policy

American Legislative Exchange Council (ALEC)



# {Presentation Goals}

- Laying solid foundations for economic stimulus
- Federal and international trends
- *Rich States, Poor States*
- Conclusion

# {Tax Principles}

Simplicity

Transparency

Neutrality

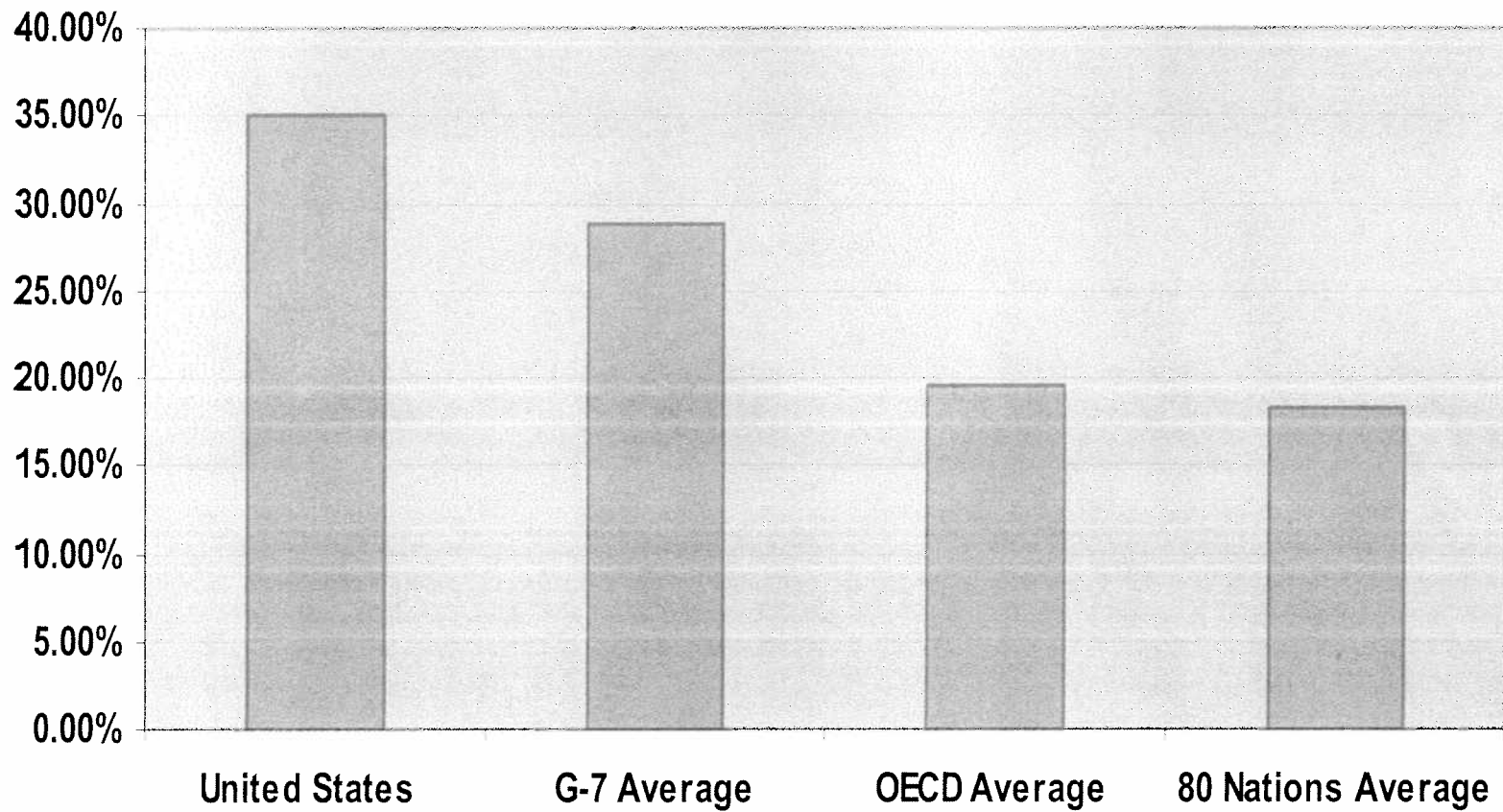
Predictability

Pro-Growth

# U.S. Corporate Tax Rate:

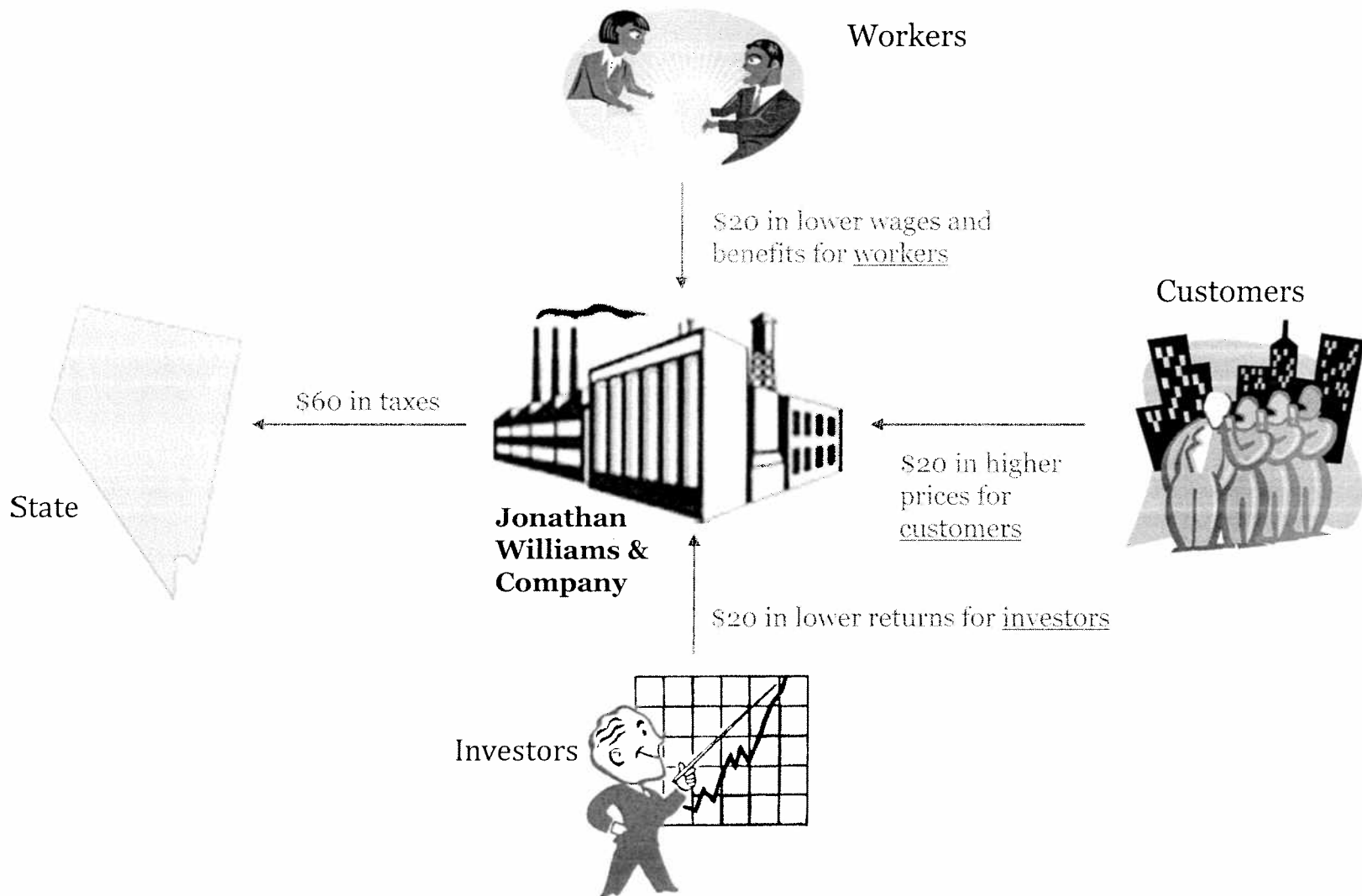
- 2nd Highest After Japan at 35%
- Discourages Foreign Investment
  - Obstacle to Economic growth
- Less than 25 percent to Increase Capital Investment and Attract More Profits -Mintz
- We Need to Stay Competitive
  - Capital is More Mobile Then Ever

## Effective Corporate Tax Rates, 2009

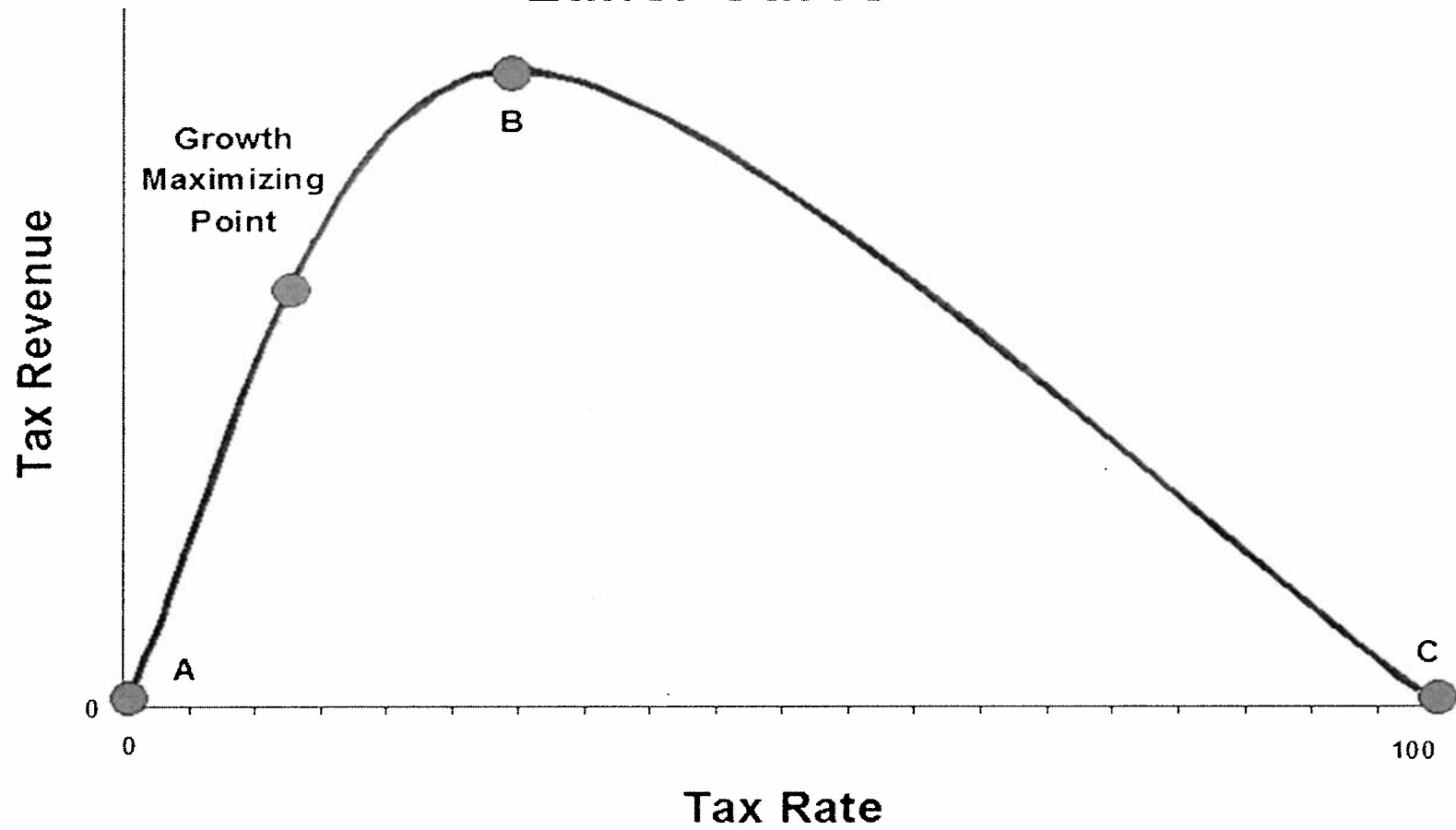


Cato Institute Tax & Budget Bulletin May 2010

# {Businesses Don't Pay Taxes - People Do}



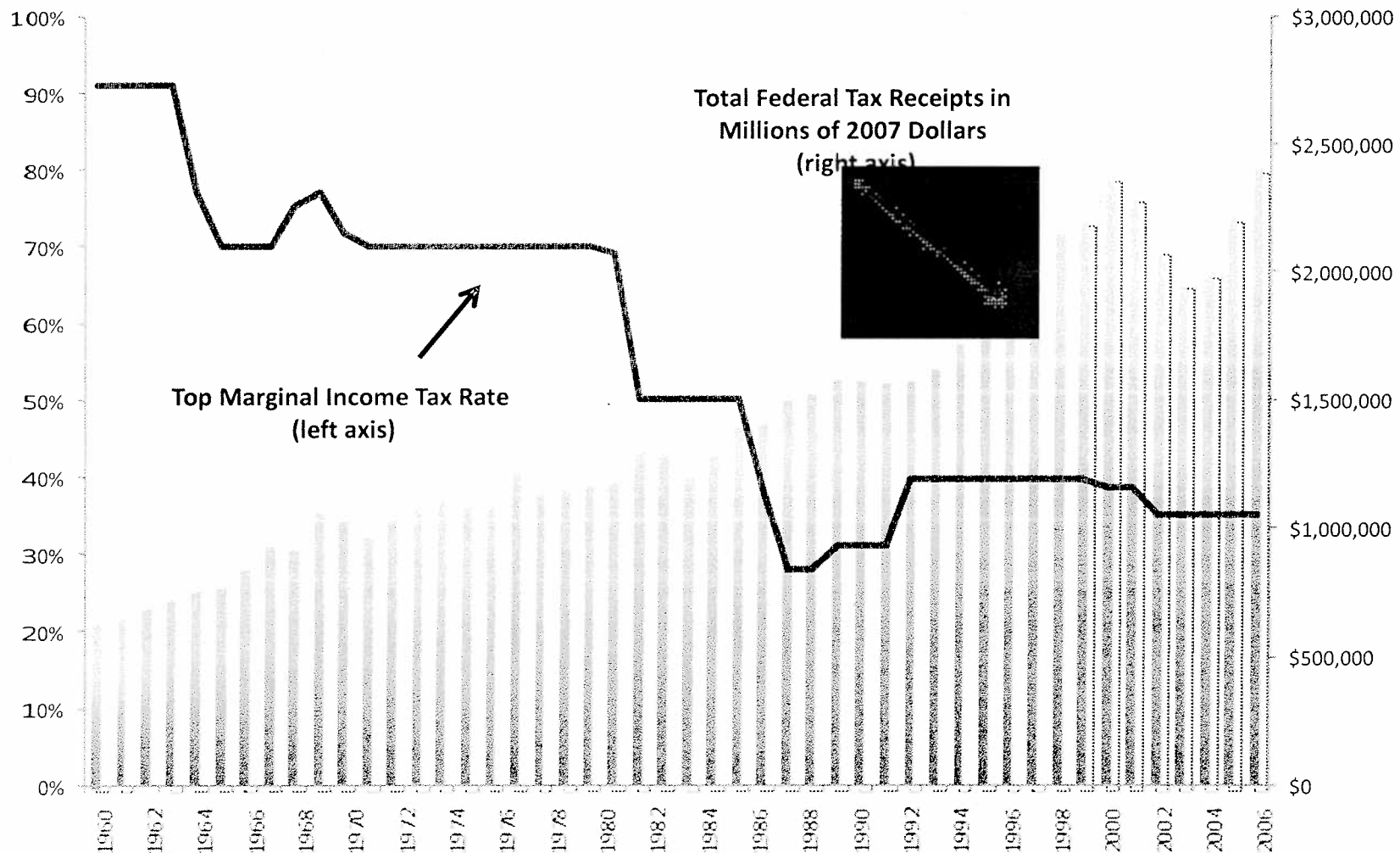
## Laffer Curve





# {The Laffer Curve Effect}

## Real Federal Revenues and the Top Marginal Income Tax Rate



Source: Office of Management and Budget, Budget of the United States Government, *Fiscal Year 2000*



# {People Vote with Their Feet}

- Between 1998 and 2008, the nine states without personal income taxes vastly outperformed the nine states with the highest income tax rates.
- Non-income tax states enjoyed:
  - More than 2 times greater job growth
  - More than 2 times greater population growth
  - Greater revenue growth

# {Top Personal Income Tax (PIT) Rates}

- Avg. 9 States with no PIT – **0.00%**
- U.S. Average- **5.69%**
- Avg. 9 States with Highest Marginal PIT Rate- **9.92%**

# {Gross State Product Growth}

- Avg. 9 States with no PIT – **86.28%**
- U.S. Average- **66.34%**
- Avg. 9 States with Highest Marginal PIT Rate-  
**59.81%**

# {Nonfarm Payroll Employment Growth}

- Avg. 9 States with no PIT – **18.20%**
- U.S. Average- **10.39%**
- Avg. 9 States with Highest Marginal PIT Rate-  
**8.44%**

# {Population Growth}

- Avg. 9 States with no PIT – **15.95%**
- U.S. Average- **10.08%**
- Avg. 9 States with Highest Marginal PIT Rate- **6.32%**

# {Total State Tax Receipts Growth}

- Avg. 9 States with no PIT – **96.12%**
- U.S. Average- **74.20%**
- Avg. 9 States with Highest Marginal PIT Rate-  
**73.86%**

# {State Economic Outlook Rankings}

## Winners

1. Utah
2. Colorado
3. Arizona
4. South Dakota
5. Florida

## Losers

46. California
47. Illinois
48. New Jersey
49. Vermont
50. New York



# Jonathan P. Williams

Director, Tax and Fiscal Policy Task Force

Phone: 202-742-8533

[JWilliams@alec.org](mailto:JWilliams@alec.org)

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